Northern Arizona Intergovernmental Public
Transportation Authority
Single Audit Reporting Package
Year Ended June 30, 2024

Northern Arizona Intergovernmental Public Transportation Authority

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Northern Arizona Intergovernmental Public Transportation Authority

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Independent Auditor's Report

The Board of Directors

Northern Arizona Intergovernmental Public Transportation Authority
Flagstaff, Arizona

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the business type activities of Northern Arizona Intergovernmental Public Transportation Authority (Authority), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of the Northern Arizona Intergovernmental Public Transportation Authority, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Northern Arizona Intergovernmental Public Transportation Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to
 fraud or error, and design and perform audit procedures responsive to those risks. Such procedures
 include examining, on a test basis, evidence regarding the amounts and disclosures in the financial
 statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit
 procedures that are appropriate in the circumstances, but not for the purpose of expressing an
 opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is
 expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information. Accounting principles generally accepted in the United States of America also require that the net pension liability information, as listed in the table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with

management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **Report Date**, on our consideration of Northern Arizona Intergovernmental Public Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Northern Arizona Intergovernmental Public Transportation Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northern Arizona Intergovernmental Public Transportation Authority's internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C. Flagstaff, Arizona **Report Date**

Northern Arizona Intergovernmental Public Transportation Authority Statement of Net Position June 30, 2024

Assets	
Current assets:	
Cash	\$ 2,374,388
Contracts receivable	5,116,468
Grants receivable	572,447
Inventory	403,437
Prepaid expenses	 215,150
Total current assets	 8,681,890
Noncurrent assets:	
Capital assets not being depreciated	25,799,100
Capital assets, net accumulated depreciation	 20,167,909
Total noncurrent assets	 45,967,009
Total assets	 54,648,899
Deferred outflows of resources	
Deferred outflows related to pensions	1,047,013
Total deferred outflows of resources	1,047,013
	 , , , , , , , ,
Liabilities	
Current liabilities:	
Accounts payable	1,606,233
Accrued payroll and related benefits	571,085
Total current liabilities	2,177,318
Non-surrough link-libing.	
Noncurrent liabilities:	COE 714
Due to other governments Net pension liability	695,714 7,733,113
Total noncurrent liabilities	 8,428,827
Total liabilities	 10,606,145
Deferred inflows of resources	
Deferred inflows related to pensions	 369,329
Total deferred inflows of resources	 369,329
Net position	
Net investment in capital assets	45,967,009
Unrestricted	(1,246,571)
Total net position	\$ 44,720,438

The accompanying notes are an integral part of these financial statements.

Northern Arizona Intergovernmental Public Transportation Authority Statement of Revenues, Expenses, and Changes in Net Position Year Ended June 30, 2024

Operating revenues:		
Participant fees	\$	9,814,901
Fares		1,412,197
Advertising		216,327
Total operating revenues		11,443,425
Operating expenses:		
Payroll		6,428,005
Payroll taxes and benefits		2,544,741
Professional fees		1,440,351
Insurance		282,698
Transit services planning		192,741
Fuel and oil		843,727
Tires		111,454
Vehicle parts and supplies		551,478
Uniforms		38,819
Memberships and subscriptions		41,034
Utilities		179,485
Administration supplies		68,856
Printing and postage		85,815
Information and technology		57,069
Travel and training		75,966
Depreciation		2,466,160
Repairs and maintenance		549,077
Miscellaneous		31,359
Total operating expenses		15,988,835
Operating gain (loss)		(4,545,410)
Nonoperating revenues:		
Grants		23,031,068
Interest income		98,043
Other income	-	20,979
Total nonoperating revenues		23,150,090
Increase in net position		18,604,680
Net position, July 1, 2023		26,115,758
Net position, June 30, 2024	\$	44,720,438

The accompanying notes are an integral part of these financial statements.

Northern Arizona Intergovernmental Public Transportation Authority Statement of Cash Flows For the Year Ended June 30, 2024

Increase/Decrease in Cash and Cash Equivalents

Cash flows from operating activities	
Cash received from participants and customers	\$ 6,110,630
Cash received from advertising	216,327
Cash payments to suppliers for goods and services	(5,426,410)
Cash payments to employees	(8,462,910)
Net cash used for operating activities	(7,562,363)
Net tash asea for operating activities	(1,755=,555)
Cash flows from investing activities	
Interest income	98,043
	98,043
Net cash provided by investing activities	38,043
Cash flows from noncapital financing activities	(5,095,888)
Noncapital grants	
Net cash used for noncapital financing activities	(5,095,888)
Cash flows from capital and related financing activities	
Capital grants	26,633,784
Purchase of capital assets	(17,082,059)
Net cash provided by capital and related financing activities	9,551,725
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Net increase/decrease in cash and cash equivalents	(3,008,483)
	(5,555)
Cash and cash equivalents, beginning of year	5,382,871
Cash and cash equivalents, end of year	\$ 2,374,388
Reconciliation of Operating Income/Loss to Net Cash Provided by/Used for O	perating Activities
Operating income/loss	\$ (4,545,410)
Adjustments to reconcile operating income/loss to net cash provided by/used	
for operating activities:	
Depreciation	2,466,160
Changes in assets, deferred outflows of resources, liabilities, and deferred	
inflows of resources:	7,429
Increase/decrease in inventory	(5,116,468)
Increase/decrease in inventory Increase/decrease in contracts receivable	
Increase/decrease in inventory Increase/decrease in contracts receivable Increase/decrease in prepaid expenses	(103,453)
Increase/decrease in inventory Increase/decrease in contracts receivable Increase/decrease in prepaid expenses Increase/decrease deferred outflows of resources related to pensions	(103,453) 401,957
Increase/decrease in inventory Increase/decrease in contracts receivable Increase/decrease in prepaid expenses Increase/decrease deferred outflows of resources related to pensions Increase/decrease in accounts payable	(103,453) 401,957 (366,201)
Increase/decrease in inventory Increase/decrease in contracts receivable Increase/decrease in prepaid expenses Increase/decrease deferred outflows of resources related to pensions Increase/decrease in accounts payable Increase/decrease in accrued payroll and related benefits	(103,453) 401,957 (366,201) 74,683
Increase/decrease in inventory Increase/decrease in contracts receivable Increase/decrease in prepaid expenses Increase/decrease deferred outflows of resources related to pensions Increase/decrease in accounts payable Increase/decrease in accrued payroll and related benefits Increase/decrease in due to other governments	(103,453) 401,957 (366,201) 74,683 (414,256)
Increase/decrease in inventory Increase/decrease in contracts receivable Increase/decrease in prepaid expenses Increase/decrease deferred outflows of resources related to pensions Increase/decrease in accounts payable Increase/decrease in accrued payroll and related benefits Increase/decrease in due to other governments Increase/decrease in net pension liability	(103,453) 401,957 (366,201) 74,683 (414,256) 46,541
Increase/decrease in inventory Increase/decrease in contracts receivable Increase/decrease in prepaid expenses Increase/decrease deferred outflows of resources related to pensions Increase/decrease in accounts payable Increase/decrease in accrued payroll and related benefits Increase/decrease in due to other governments Increase/decrease in net pension liability Increase/decrease in deferred inflows of resources related to pensions	(103,453) 401,957 (366,201) 74,683 (414,256) 46,541 (13,345)
Increase/decrease in inventory Increase/decrease in contracts receivable Increase/decrease in prepaid expenses Increase/decrease deferred outflows of resources related to pensions Increase/decrease in accounts payable Increase/decrease in accrued payroll and related benefits Increase/decrease in due to other governments Increase/decrease in net pension liability	(103,453) 401,957 (366,201) 74,683 (414,256) 46,541
Increase/decrease in inventory Increase/decrease in contracts receivable Increase/decrease in prepaid expenses Increase/decrease deferred outflows of resources related to pensions Increase/decrease in accounts payable Increase/decrease in accrued payroll and related benefits Increase/decrease in due to other governments Increase/decrease in net pension liability Increase/decrease in deferred inflows of resources related to pensions Total adjustments	(103,453) 401,957 (366,201) 74,683 (414,256) 46,541 (13,345) (3,016,953)
Increase/decrease in inventory Increase/decrease in contracts receivable Increase/decrease in prepaid expenses Increase/decrease deferred outflows of resources related to pensions Increase/decrease in accounts payable Increase/decrease in accrued payroll and related benefits Increase/decrease in due to other governments Increase/decrease in net pension liability Increase/decrease in deferred inflows of resources related to pensions	(103,453) 401,957 (366,201) 74,683 (414,256) 46,541 (13,345)

The accompanying notes are an integral part of these financial statements.

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Northern Arizona Intergovernmental Public Transportation Authority (Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Authority's accounting policies are described below.

A. Reporting Entity

The Authority was formed under Arizona Revised Statutes (Statutes) 28-9102 on July 1, 2006, for the purposes of managing and operating the transit operations of participating governments. This activity comprises the Authority's major operations. Fees collected from participating governments (members) represented 90 percent of total operating revenues in fiscal year 2024; therefore, the Authority is highly dependent on those governments for its operations.

The Board of Directors is comprised of representatives from each of the Authority's members and has broad financial responsibilities, including the approval of the annual budget, and the establishment of a system of accounting and budgetary controls. The Board of Directors includes a member from Coconino County, Northern Arizona University, Coconino County Community College and two members from the City of Flagstaff.

A reporting entity consists of a primary government and its component units. The Authority is considered a primary government because it is a special-purpose government, is legally separate, and is fiscally independent of other state or local governments. There are no component units combined with the Authority, and the Authority is not included in any other governmental reporting entity. The Authority does not maintain any fiduciary activities.

B. Basis of Accounting Basis

Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied, and determines when revenues and expenses are recognized in the accounts and reported in the financial statements.

The Authority is reported as a proprietary enterprise fund. Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the Authority's Board is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through participant fees and user charges; or for which the Authority's Board has decided that periodic determination of revenues earned, expenses incurred, or change in net assets is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Note 1 – Summary of Significant Accounting Policies

The financial statements of the proprietary fund are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Operating and Nonoperating Revenues and Expenses

The enterprise fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and in connection with principal ongoing operations. The Authority's principal operating revenues are fares charged to riders and fees charged to participating governments. Operating expenses include administrative expenses, production and distribution expenses, and depreciation on capital assets.

Nonoperating revenues include revenues from noncapital financing activities, capital and related financing activities and revenues from investing activities. Capital and related financing activities include proceeds from capital grants and are shown on the statements of cash flows as positive cash flows. Investing activities include interest from investments and other miscellaneous sources of income.

E. Cash and Investments

For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at year end was cash in bank, CD's and cash with County.

F. Credit Risk

<u>Custodial Credit Risk</u> – Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

<u>Concentration of Credit Risk</u> – Statutes do not include requirements for concentration of credit risk.

Note 1 – Summary of Significant Accounting Policies

G. Allowance for Doubtful Accounts

The Authority's grants and contracts receivable consist of amounts due from federal and local governments, and from other governmental agencies. Based on historical collection experience and a review of the current status of grants and contracts receivable, the Authority has not provided an allowance for doubtful accounts, as management believes it is likely to collect the full receivable balance.

H. Inventory

Inventory consists of vehicle parts and supplies used to maintain and repair the Authority's fleet vehicles. The Authority records inventory as assets when purchased and expenses when consumed. Inventory is stated at cost using the first-in, first-out method.

I. Prepaid

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in business type statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

J. Capital Assets

Purchased capital assets are stated at cost less accumulated depreciation. Depreciation of capital assets is charged as an expense against operations. The estimated useful lives in determining depreciation using the straight-line method are:

Buildings and improvements: 10-30 years Machinery and equipment: 4-15 years

The Authority's policy is to capitalize assets with a cost in excess of \$5,000.

K. Deferred Outflows and Inflows of Resources

The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense in future periods. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will be recognized as a revenue in future periods.

Note 1 - Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, related deferred outflows of resources and deferred inflows of resources, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Compensated Absences

The Authority provides sick and vacation leave to its employees. The Authority provides full time employees with 12 days of sick leave annually, to a maximum of 130 days. After 20 years of service with the Authority, an employee is entitled to be paid 25 percent of the total unused sick hours accrued. Employees accrue vacation time to a maximum of 30 days. Upon termination, an employee is paid 100 percent of unused vacation time accrued, to the maximum allowable number of days.

M. Leases

As lessee, the Authority recognizes lease liabilities with an initial, individual value of \$10,000 or more. The Authority uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The Authority's estimated incremental borrowing rate is based on incremental borrowing rates published by the Arizona Department of Administration - General Accounting Office. These rates were developed specifically for GASB No.87 use.

As lessor, the Authority recognizes lease receivables with an initial, individual value of \$10,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the Authority charges the lessee) and the implicit rate cannot be determined, the Authority uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The Authority's estimated incremental borrowing rate is calculated as described above.

N. Net Position Flow Assumption

In the business type financial statements the District applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available.

Note 2 - Bank Deposits

A. Bank Deposits

<u>Custodial Credit Risk</u> – In the case of deposits, this is the risk that in the event of bank failure, the Authority's deposits may not be returned. As of June 30, 2024, the bank balance of deposits was \$948,010, and the carrying amount was \$1,047,522. Balances may at times exceed insured amounts; however, the Authority has not experienced any losses in such accounts, and management believes it is not exposed to any significant risks on cash accounts.

B. Deposits with the Coconino County Treasurer

At June 30, 2024, the Authority had cash on deposit and carrying amount of \$1,326,866 with the Coconino County Treasurer.

The Authority's cash held on deposit with the County Treasurer was collateralized as required by statutes at June 30, 2024.

The County Treasurer's pool is an external investment pool with no regulatory oversight. The pool is not required to register (and is not registered) with the Securities and Exchange Commission. The fair value of each participant's position in the County Treasurer investment pool approximates the value of the participant's shares in the pool and the participants' shares are not identified with specific investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

Note 3 –Receivables

Receivables: The Authority recognizes receivables when eligible costs are incurred or services are provided. Receivables are recorded when allowable expenses are incurred or contracted services have been provided, but reimbursement has not been received by the Authority.

Contracts Receivable: This receivable type consists of \$5.1 million of receivables for operating revenues due solely from the City of Flagstaff, Arizona.

Grants Receivable: This receivable type consists receivables that are associated with nonoperating revenues for a total of \$572,447 from the following sources:

	 Deficit		
Grants receivable:			
Arizona Department of Transportation	\$ 393,969		
Others	 178,478		
Net grants receivable	\$ 572,447		

Note 4 – Capital Assets

The following is a summary of capital asset activity for the year ended June 30, 2024:

	Beginnin	g			Ending
Governmental Activities	Balance	In	crease	Decrease	Balance
Capital assets, not being depreciated:					
Land	\$ 2,963	,380 \$		\$	\$ 2,963,380
Construction in progress	7,658	.1931	.5,468,373	290,846	 22,835,720
Total capital assets, not being depreciated	10,621	573 1	.5,468,373	290,846	 25,799,100
Capital assets, being depreciated:					
Buildings and improvements	21,276	,608	696,915		21,973,523
Machinery and equipment	24,683	,220	1,207,617		 25,890,837
Total capital assets being depreciated	45,959	,828	1,904,532		 47,864,360
Less accumulated depreciation for:					
Buildings and improvements	(6,810)	.546)	(1,456,186)		(8,266,732)
Machinery and equipment	(18,419	,745)	(1,009,974)		 (19,429,719)
Total accumulated depreciation	(25,230	.291)((2,466,160)		 (27,696,451)
Total capital assets, being depreciated, net	20,729	,537	(561,628)		 20,167,909
Governmental activities capital assets, net	\$ 31,351	110 \$ 1	.4,906,745	\$ 290,846	\$ 45,967,009

Note 5 – Construction and Other Significant Commitments

The Authority had major contractual commitments at June 30, 2024 as follows:

		V			Remaining
<u>Commitment</u>	Со	ntract Value	 Payments	C	ommitment
Campus Bus	\$	5,078,000	\$ (4,937,279)	\$	140,721
DCC CMAR		33,312,894	(15,786,410)		17,526,484
FMLM		6,920,094	(543,007)		6,377,087
Charging		1,111,608	(631,483)		480,125
Kaspar Maintenance		2,000,000	(937,541)		1,062,459
Total long-term liabilities	\$	48,422,596	\$ (22,835,720)	\$	25,586,876

Note 6 - Due to Other Governments

The Authority receives payments, in advance, from its members to subsidize the cost of its operations. According to the master intergovernmental agreement signed in March 2006 and amended July 1, 2013, members must maintain a fund balance with the Authority that is equal to no less than three months of the member's annual transit operating budget. Each member's service intergovernmental agreement (service IGA) specifies when payments are due and terms of cancellation. If the service IGA is cancelable within one year of the Authority's fiscal year end, the fund balance is classified as a current liability. The rolling balances are calculated using a three-month average of operating expenses for the members, and are adjusted at June 30 each year.

The Authority had \$695,714 due to other governments at June 30, 2024, all of which was comprised of the City of Flagstaff's fund balance.

Note 7 - Contingent Liabilities

<u>Compliance</u> - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses that may be disallowed by the grantor cannot be determined at this time, although the authority expects such amounts, if any, to be immaterial.

Note 8 – Pensions

Plan Description. The Authority's employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a costsharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a costsharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

The ASRS OPEB plans are not further disclosed because of their relative insignificance to the District's financial statements.

Note 8 – Pensions

Benefits Provided. The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

Retirement Initial Membership Date:

		1
	Before July 1, 2011	On or After July 1, 2011
Years of service and age	Sum of years and age equals 80	30 years, age 55
required to receive	10 years, age 62	25 years, age 60
benefit	5 years, age 50*	10 years, age 62
	Any years, age 65	5 years, age 50*
		Any years, age 65
Final average salary is	Highest 36 months of last	Highest 60 months of last
based on	120 months	120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%
	WARL A COLLEGE AND A COLLEGE A	

^{*}With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of fivecredited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month, depending on the age of the member and dependents. For members with five to nine years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Note 8 – Pensions

Active members are eligible for monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years or service of the service on record as of the effective disability date if their service is greater than 30 years.

Contributions. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, statute required active ASRS members to contribute at the actuarially determined rate of 12.29 percent (12.14 percent for retirement and 0.15 percent for long-term disability) of the members' annual covered payroll, and the Authority was required by statute to contribute at the actuarially determined rate of 12.29 percent (12.03 percent for retirement, 0.11 percent for health insurance premium benefit, and 0.15 percent for long-term disability) of the active members' annual covered payroll. The Authority's contributions to the pension plan for the year ended June 30, 2024, was \$784,679.

Pension Liability. The net pension liability was measured as of June 30, 2023. The total liability used to calculate the net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2022, to the measurement date of June 30, 2023. The District's proportion of the net liability was based on the District's actual contributions to the applicable plan relative to the total of all participating employers' contributions to the plan for the year ended June 30, 2023.

At June 30, 2023, the District reported the following amounts for its proportionate share of the pension plan net liability. In addition, at June 30, 2023, the District's percentage proportion for the plan and the related change from its proportion measured as of June 30, 2022 was:

	Net	District	Increase
Liability		% Proportion	(Decrease)
\$	7,733,113	0.048	(0.001)

Note 8 - Pensions

Pension Expense and Deferred Outflows/Inflows of Resources. The District has deferred outflows and inflows of resources related to the net pension liability. Certain changes in the net pension liability are recognized as pension expense over a period of time rather than the year of occurrence. The District's pension expense for the year ended June 30, 2024 was \$992,682. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred			Deferred
	Outflows of			Inflows of
	R	esources		Resources
Differences between expected and actual experience	\$	174,737	\$	
Net difference between projected and actual earnings				
on pension investments				273,604
Changes in proportion and differences between				
contributions and proportionate share of contributions		87,597		95,725
Contributions subsequent to the measurement date		784,679	_	
Total	\$	1,047,013	\$	369,329

The amounts of deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an adjustment of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2025	\$ (5,005)
2026	(362,854)
2027	294,864
2028	(34,000)

Note 8 – Pensions

<u>Actuarial Assumptions</u> — The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2022
Actuarial roll forward date	June 30, 2023
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Inflation	2.3%
Projected salary increases	2.9-8.4%
Permanent base increases	Included
Mortality rates	2017 SRA Scale U-MP

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2020, actuarial valuation.

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, excluding any expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

		Long-Term Expected
	Target	Geometric Real
Asset Class	Allocation	Rate of Return
Public equity	44%	3.50%
Credit	23%	5.90
Interest rate sensitive	6%	1.50
Private equity	10%	6.70
Real estate	17%	5.90
Total	100%	

Note 8 – Pensions

Discount Rate. The discount rate used to measure the ASRS total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the longterm expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the ASRS net pension liability to changes in the discount rate. The following table presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0 percent) or one percentage point higher (8.0 percent) than the current rate:

	•		Current	
	1	% Decrease Dis	count Rate	 1% Increase
Rate		6.0%	7.0%	8.0%
Net liability	\$	11,583,067 \$	7,733,113	\$ 4,522,932

Pension Plan Fiduciary Net Position. Detailed information about the plans' fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

Note 9 – Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; and natural disasters. These risks of loss are accounted for and financed by the following described insurance coverage.

The Authority maintains workers' compensation insurance and general liability insurance as required by laws and grantors.

There have been no material settled claims that have exceeded commercial insurance coverage.

Note 9 – Subsequent Events

Subsequent events have been evaluated through **Report Date** which was the date the Authority's financial statements were issued.

Required Supplementary Information

Northern Arizona Intergovernmental Transportation Authority Schedule of the Proportionate Share of the Net Pension Liability Arizona State Retirement System Last Ten Fiscal Years

		2024		2023		2022		<u>2021</u>		2020 2019		2019	2018		2017		<u>2016</u>		<u>2015</u>	
Measurement date	Ju	ine 30, 2023	Ju	June 30, 2022		June 30, 2021		June 30, 2020		ne 30, 2019	June 30, 2018		June 30, 2017		June 30, 2016		Ju	June 30, 2015		ine 30, 2014
Authority's proportion of the net pension (assets) liability		0.05%		0.05%		0.05%		0.05%		0.45%		0.05%		0.04%		0.04%		0.03%		0.03%
Authority's proportionate share of the net pension (assets) liability	\$	7,733,113	\$	7,686,572	\$	5,944,117	\$	7,867,973	\$	6,502,915	\$	6,301,020	\$	6,441,524	\$	6,235,270	\$	5,376,812	\$	5,164,467
Authority's covered payroll	\$	6,035,419	\$	5,113,106	\$	4,877,777	\$	4,601,773	\$	4,557,979	\$	4,404,261	\$	3,989,610	\$	3,382,829	\$	2,997,618	\$	3,102,595
Authority's proportionate share of the net pension (assets) liability as a percentage of its covered payroll		128.13%		150.33%		121.86%		170.98%		142.67%		143.07%		161.46%		184.32%		179.37%		166.46%
Plan fiduciary net position as a percentage of the total pension liability		75.47%		74.26%		78.58%		69.33%		73.24%		73.40%		69.92%		67.06%		68.35%		69.49%

Northern Arizona Intergovernmental Transportation Authority Schedule of Pension Contributions Arizona State Retirement System Last Ten Fiscal Years

	2024	<u>2023</u>	2022	<u>2021</u>	2020	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 784,679	\$ 719,422	\$ 614,084	\$ 568,261	\$ 526,903	\$ 509,582	\$ 480,064	\$ 430,080	\$ 367,037	\$ 326,441
Contributions in relation to the actuarially determined contribution	 784,679	 719,422	 614,084	568,261	 526,903	509,582	480,064	 430,080	367,037	326,441
Contribution deficiency (excess)	\$ 	\$ 	\$	\$ 	\$ 	\$ 	\$ 	\$	\$	\$
Authority's covered payroll	\$ 6,522,685	\$ 6,035,419	\$ 5,113,106	\$ 4,877,777	\$ 4,601,773	\$ 4,557,979	\$ 4,404,261	\$ 3,989,610	\$ 3,382,829	\$ 2,997,618
Contributions as a percentage of covered payroll	12.03%	11.92%	12.01%	11.65%	11.45%	11.18%	10.90%	10.78%	10.85%	10.89%

Northern Arizona Intergovernmental Public Transportation Authority Notes to Required Supplementary Information June 30, 2024

Note 1 – Pension Plan Schedules

Actuarial Assumptions for Valuations Performed. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

Factors that Affect Trends. The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2020, actuarial valuation.



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors Northern Arizona Intergovernmental Public Transportation Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Northern Arizona Intergovernmental Public Transportation Authority, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Northern Arizona Intergovernmental Public Transportation Authority's basic financial statements, and have issued our report thereon dated **Report Date**.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northern Arizona Intergovernmental Public Transportation Authority's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northern Arizona Intergovernmental Public Transportation Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Northern Arizona Intergovernmental Public Transportation Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northern Arizona Intergovernmental Public Transportation Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Northern Arizona Intergovernmental Public Transportation Authority's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Northern Arizona Intergovernmental Public Transportation Authority's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Northern Arizona Intergovernmental Public Transportation Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld, Meech & Co., P.C. Flagstaff, Arizona **Report Date**

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Board of Directors Northern Arizona Intergovernmental Public Transportation Authority

Report on Compliance for Each Major Federal Program

We have audited Northern Arizona Intergovernmental Public Transportation Authority's compliance with the types of compliance requirements identified as subject to the audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Northern Arizona Intergovernmental Public Transportation Authority's major federal programs for the year ended June 30, 2024. Northern Arizona Intergovernmental Public Transportation Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Northern Arizona Intergovernmental Public Transportation Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Northern Arizona Intergovernmental Public Transportation Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Northern Arizona Intergovernmental Public Transportation Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Northern Arizona Intergovernmental Public Transportation Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error and express an opinion on Northern Arizona Intergovernmental Public Transportation Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate it would influence the judgment made by a reasonable user of the report on compliance about Northern Arizona Intergovernmental Public Transportation Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Northern Arizona Intergovernmental Public Transportation Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Northern Arizona Intergovernmental Public Transportation Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Northern Arizona Intergovernmental Public Transportation Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on Northern Arizona Intergovernmental Public Transportation Authority's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Northern Arizona Intergovernmental Public Transportation Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Northern Arizona Intergovernmental Public Transportation Authority's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Northern Arizona Intergovernmental Public Transportation Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities of Northern Arizona Intergovernmental Public Transportation Authority as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Northern Arizona Intergovernmental Public Transportation Authority's basic financial statements. We issued our report thereon dated Report Date, which contained unmodified opinions on those basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements.. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Heinfeld, Meech & Co., P.C. Flagstaff, Arizona **Report Date**

Northern Arizona Intergovernmental Public Transportation Authority Schedule of Expenditures of Federal Awards Year Ended June 30, 2024

Federal/Pass-Through/Agency	AL <u>Number</u>	Federal Award <u>Number</u>	Expenditures and Transfers		Total Expenditures and Transfers
U.S. Department of Transportation					
Federal Transit Cluster:					
Federal Transit - Formula Grants	20.507	N/A	\$ 3,295,749	\$	
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	N/A	9,449,103		
Total Federal Transit Cluster				_	12,744,852
Passed through Arizona Department of Transportation:					
Community Project Funding Congressionally Directed Spending	20.534	AZ-2023-025-00			2,590,000
				-	
Total U.S. Department of Transportation				_	15,334,852
				_	
Total Expenditures of Federal Awards				\$	15,334,852



Northern Arizona Intergovernmental Public Transportation Authority Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2024

Significant Accounting Policies Used in Preparing the SEFA

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Northern Arizona Intergovernmental Public Transportation Authority under programs of the federal government for the year ended June 30, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

10% De Minimis Indirect Cost Rate

The auditee did not use the de minimis indirect cost rate.

Assistance Listing Numbers

The program titles and Assistance Listing numbers were obtained from the federal or pass-through grantor or through sam.gov. If the three-digit Assistance Listing extension is unknown, there is a U followed by a two-digit number in the Assistance Listing extension to identify one or more Federal award lines from that program. The first Federal program with an unknown three-digit extension is indicated with UO1 for all award lines associated with that program, the second is UO2, etc.

Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: Yes

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: Yes

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516 of Uniform Guidance: Yes

Identification of major programs:

Assistance Listing Numbers	Name of Federal Programs or Clusters
Community Project Funding Congressionally	· ·
Directed Spending	20.534
Federal Transit Cluster	20.507, 20.526

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee: Yes

Findings Related to Financial Statements Reported in Accordance with *Government Auditing* **Standards:** Yes

Findings and Questioned Costs Related to Federal Awards: Yes

Summary Schedule of Prior Audit Findings required to be reported: No

Findings Related to Financial Statements Reported in Accordance with Government Auditing Standards

Finding Number: FS-2024-001

Repeat Finding: No

Type of Finding: Material Weakness

Description: Internal Controls Over Financial Reporting

Finding FS-2024-001 is reported in the Findings and Questioned Costs Related to Federal Awards as finding 2024-001, and is also considered to be applicable to Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*.

Findings and Questioned Costs Related to Federal Awards

Finding Number: 2024-001

Repeat Finding: No

	Assistance Listing	Federal Award	Questioned
Program Names/Assistance Listing Titles:	Numbers:	Numbers:	Costs:
Community Project Funding Congressionally			
Directed Spending	20.534	AZ-2023-025-00	\$0
Federal Transit Cluster	20.507, 20.526	N/A	\$0

Federal Agency: U.S. Department of Transportation

Pass-Through Agency: Arizona Department of Transportation

Type of Finding: Noncompliance, Material Weakness

Compliance Requirements: Reporting

Criteria

In accordance with 2 CFR 200.512, the single audit must be completed, and the data collection form and reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. Additionally, Authority management is responsible for establishing and maintaining internal controls over financial reporting to include controls over the Authority's accounting records and general ledger transactions.

Condition

The audit was not completed by the deadline. In addition, adequate internal controls were not in place to ensure financial activity was properly reported in the Authority's accounting records and that the reported amounts were accurate representations of financial activity.

Cause

Employee turnover and a change in financial reporting software delayed the single audit reporting package. The Authority changed financial reporting systems and there was a lack of training and understanding on how to review the new system's data for accuracy.

Effect

The Authority was not in compliance with federal regulations and guidelines for single audit submissions. Additionally, amounts initially recorded within the financial system for financial presentation purposes were not accurate and required adjustment.

Context

The single audit report was not completed within 9 months of year end. In addition, the following balances were not accurately presented within the financial system until after the auditors' review took place: capital assets, beginning net position, accounts payable, receivables, cash, and revenues. The sample was not intended to be, and was not, a statistically valid sample.

Findings and Questioned Costs Related to Federal Awards

Finding Number: 2024-001

Recommendation

The Authority should allocate necessary resources to implement controls and procedures to ensure accounting records are being appropriately recorded in the Authority's financial system and the single audit report is completed and submitted in a timely manner.

Views of Responsible Officials

See Corrective Action Plan.

Mountain Line



3773 N. Kaspar Drive · Flagstaff, AZ 86004 · 928-679-8900 · FAX 928-779-6868 · www.mountainline.az.gov

Report Date

To Whom It May Concern:

The accompanying Corrective Action Plan has been prepared as required by U.S. Office of Management and Budget Uniform Guidance. The names of the contact person responsible for corrective action, the planned corrective action, and the anticipated completion date for each finding included in the current year's Schedule of Findings and Questioned Costs have been provided.

Sincerely,

Jacki Lenners Deputy General Manager



Northern Arizona Intergovernmental Public Transportation Authority Corrective Action Plan Year Ended June 30, 2024

Findings Related to Financial Statements Reported in Accordance with Government Auditing Standards

Finding Number: FS-2024-001

Contact Person:

Anticipated Completion Date: Planned Corrective Action:

Findings and Questioned Costs Related to Federal Awards

Finding Number: 2024-001

Assistance

Program Names/Assistance Listing Titles: Listing Numbers:

Community Project Funding Congressionally

Directed Spending 20.534

Federal Transit Cluster 20.507, 20.526

Contact Person:

Anticipated Completion Date: Planned Corrective Action:

Mountain Line



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Corrective Action Plan Year Ended June 30, 2024

September 17, 2025

We have prepared the following corrective action plan as required by the standards applicable to financial audits contained in Government Auditing Standards and by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Specifically, for each finding we are providing you with the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Financial Statement Finding 2024-001 Internal Controls Over Financial Reporting

Recommendation: The Authority should allocate necessary resources to implement

controls and procedures to ensure accounting records are being appropriately recorded in the Authority's financial system and the single audit report is completed and submitted in a timely manner.

Corrective Action: The Authority concurs and will develop formal written procedures

and standardized templates to support real-time monitoring and reconciliation of accounting transactions and account balances. All finance staff will also attend formal training sessions sponsored by the Authority's accounting system vendor to ensure that all transactions are properly recorded in the system in accordance with GAAP. Lastly, the Authority will develop an audit timeline and checklist of year-end

procedures to ensure timely single audit completion.

Completion Date: March 31, 2026

Contact Person: Megan Coons, Finance Director

